



Legislative Council Staff

Research Note

Version: House Second
Reading
Date: 5/5/2016

Bill Number

Senate Bill 16-174

Sponsors

Senator Sonnenberg
Representatives Vigil & Coram

Short Title

**Colorado Water Conservation
Board Construction Fund
Project**

Research Analyst

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Status

This bill is currently pending before the House on second reading. This research note reflects the reengrossed bill.

Summary

This bill appropriates \$12,300,000 in FY 2016-17 from the Colorado Water Conservation Board (CWCB) Construction Fund and the Perpetual Base Fund for specific water-related projects. This bill also authorizes seven cash fund transfers; extends the Windy Gap Reservoir bypass channel project until July 1, 2020; and allows the CWCB to participate in water distribution system projects. The bill also gives the CWCB a variety of powers to fully utilize the state's water allocation in the Animas-La Plata project in southwest Colorado and directs the State Treasurer to credit money received pursuant to the exercise of those powers to the CWCB Construction Fund. It also continuously appropriates these moneys to the board for this purpose.

Background

Colorado Water Conservation Board. The CWCB, the Department of Natural Resources, is the state's primary water policy and planning agency. Its major programs include water supply protection, flood protection, conservation and drought planning, stream and lake protection (instream flow program), and water supply planning and finance. The CWCB is governed by a 15-member board that is charged with conserving the state's waters to promote utilization and to prevent floods. Nine of its members are appointed by the Governor for three-year terms to represent eight river basins and the City and County of Denver. Other members include the Executive Director of the Department of Natural Resources, the Commissioner of Agriculture, the

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State Engineer, the Colorado Attorney General, the Division of Parks and Wildlife director, and the CWCB director. No General Fund moneys have been appropriated for the CWCB since FY 2000-01, when the legislature replaced these moneys with moneys from the CWCB Construction Fund.

CWCB Construction Fund. The CWCB Construction Fund is the state's largest revolving loan program to finance water diversion and storage projects. According to state law, the first priority for moneys in the fund must be for projects that increase the beneficial consumptive use of Colorado's undeveloped compact entitled waters. The balance of the moneys in the fund must be used for the repair and rehabilitation of existing water storage and delivery systems, controlled maintenance of the satellite monitoring system, and for investment in water management activities and studies. Moneys in the fund may also be used to pay for up to 50 percent of the cost of feasibility studies and water supply investigations. Loans may not be used for domestic water treatment and distribution systems. Loans for more than \$10 million must be approved by the General Assembly. Also, grants may not be made from the fund unless authorized by bill. The CWCB is authorized to issue loans for less than \$10 million without General Assembly approval. For loans under \$10 million, the CWCB is required to submit a report by January 15 of each year to the Colorado General Assembly describing the basis for such loans, called the small project loan report. In 2015, the board reported that it loaned \$20.6 million for 18 small projects. The fund receives revenue from the repayment of loans, interest on the fund in the state treasury, and federal mineral royalty distributions. The CWCB is authorized to adjust loan interest rates that currently range from 1.85 percent for agricultural loans to 6.0 percent for municipal loans.

Perpetual Base Fund of the Severance Tax Trust Fund. The severance tax is paid by producers of oil, gas, coal, and other minerals. State law provides that 50 percent of severance tax revenues are credited to the Severance Tax Trust Fund and 50 percent of the revenues are credited to the Department of Local Affairs for grants and distributions to local governments impacted by mining activities. Of the revenue credited to the Severance Tax Trust Fund, 50 percent is allocated to the Perpetual Base Fund of the Severance Tax Trust Fund (or 25 percent of total severance tax revenues) for use by the CWCB to build water projects. The other 50 percent of Severance Tax Trust Fund revenues (or 25 percent of total severance tax revenues) are allocated to the Operational Fund to fund programs that "promote and encourage sound natural resource planning, management, and development related to minerals, energy, geology, and water." The CWCB is authorized to issue loans for water projects from moneys in the Severance Tax Trust Fund Perpetual Base Fund. For example, in 2014, the General Assembly appropriated \$87.8 million for the Chatfield Reservoir Reallocation Project and \$43.4 million for the Water Infrastructure and Supply Efficiency (WISE) Project.

Senate Action

Senate Agriculture, Natural Resources, and Energy (March 31, 2016). At the hearing, a representative of the CWCB spoke in support of the bill. The committee adopted Amendment L.001 that authorizes the CWCB to spend \$1 million for a reservoir dredging project in partnership with a water provider such as a municipality, district, or irrigation district for up to 50 percent of the cost of the project. The committee also adopted Amendment L.002 that clarifies how the state's water allocation in the Animas-La Plata project may be used. The bill was referred to the Senate Appropriations Committee.

Senate Appropriations (April 15, 2016). The Senate Appropriations Committee referred the bill, as amended, to the Senate second reading consent calendar.

Senate second reading (April 20, 2016). The Senate adopted the Senate Agriculture, Natural Resources, and Energy Committee report and passed the bill on second reading, as amended.

Senate third reading (April 25, 2016). The Senate adopted the bill, without amendment.

House Action

House Agriculture, Livestock, and Natural Resources (May 2, 2016). At the hearing, a representative of the CWCB and the Colorado Water Congress spoke in support of the bill. The committee adopted Amendment L.005 that clarifies how the state's water allocation in the Animas-La Plata project may be used. The bill was referred to the House Appropriations Committee as amended.

House Appropriations (May 5, 2016). The House Appropriations Committee referred the bill, without amendment, to the House second reading.

Relevant Research

Legislative Council Staff, *State Funding for Water Projects*, October 22, 2015

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